COMMERCIAL MARINE SERVICE, INC.

Since 1983

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MARINE SURVEY

REPORT No. CMS-12-3620

M/V "GUEMES"

Official Number: 601686

Condition & Valuation Report

Requested By: Ms. Rachel Beck

Skagit County Public Works
1800 Continental Place
Mt. Vernon, WA 98273

Issued At Seattle, WA on November 8, 2012

This Is To Certify that the undersigned marine surveyor did on October 11, 17, and subsequent dates, at the request Captain Rachel Beck and for the account of Skagit County Public Works, attend survey of the car/passenger ferry boat M/V "GUEMES" as it lay on dry dock at Foss Shipyard in Seattle, WA, in order to ascertain its general condition and valuation for insurance purposes and report thereon.

ATTENDING

Captain Rachel Beck - Ferry Port Captain

Mr. Thomas D. Laing, Jr. NAMS-CMS, ASA - Marine Surveyor

Ms. Heather Morse NAMS Apprentice - Marine Surveyor

LIMITING CONDITIONS

A. This is a summary report produced for purposes as defined in contract.

B. This vessel was surveyed with the consideration that it had responsible ownership and management, a competent crew, and reasonable ongoing maintenance.

C. The vessel was appraised upon the premise that it was free and clear of all debt, encumbrances, mortgages or special liens.

D. This survey inspection was done without regard to any possible problems that may arise from the "American Disabilities Act" (ADA) or any violations of the (ADA).

E. We are unaware of any significant potential environmental hazards associated with this vessel, save those normally associated with vessels of this type.

F. The values noted herein are based upon vessel's present condition at its present location.

G. No responsibility is assumed for latent defects of any nature that could affect vessel's value.

H. No opinion of vessel's stability characteristics has been made and no opinion is expressed hereto.

I. The vessel equipment identification and classification descriptions included herein are for purposes of identification only, and are not intended to detail all conditions or list all features associated with each item described.

J. This report was prepared for the client of record, as noted herein, in order to provide an opinion of value and answer specific questions posed in the client's Statement Of Work that are mutually agreed upon by surveyor and that client.

K. The information supplied by others that was considered and utilized in constructing this report is believed to be reliable, and no further responsibility is assumed for its accuracy.

L. This report was produced by Commercial Marine Service, Inc. and will be considered confidential. Copies of this report will only be made available to other parties with prior written consent from the client/owner of this report.

M. This report information considered to be correct as of the date of issue of this report.

PROCEDURE AND ANALYSIS

Marine equipment in general is built to be mobile and can be utilized anywhere in the world, subject to the physical and economical mobility of the particular piece of equipment, its age and general condition. In estimating the value of a particular piece of marine equipment, age, condition and outfitting can be more important than current usage or local market conditions.

To determine the value of a piece of marine equipment, an attempt is made to utilize all three of the following methods:

- **Cost Approach:** To measure value by determining the current cost of producing a new piece of equipment that will have equal utility and then deducting appropriate amounts for the various elements of depreciation, generally referred to as physical deterioration, functional obsolescence, and economic obsolescence.
- **Market Approach:** To measure value by analyzing the results of recent sales of like or similar equipment to arrive at the most likely selling price of the equipment being appraised.
- **Income Approach**: To measure value by determining the current worth of the future benefits of ownership. This is usually done through the capitalization of a specific income.

When utilizing the cost approach we determine the equipment's current replacement cost. This is considered to be the construction of a piece of equipment of like design, capacity and capability at current market rates. This value is then depreciated over the expected useful life of a similar piece of equipment and adjusted up or down for actual condition of the equipment as noted by the appraiser at the time of the appraisal to reflect the actual remaining life. These conditions may include, but are not limited to, recent rebuilding, refurbishment, re-powering or lack of maintenance and repair.

When utilizing the market approach we analyze the available information related to current sales and offerings. The results are adjusted to reflect our opinion of the current market for the particular type of equipment. This adjustment considers functional obsolescence and economic obsolescence and is based upon constant contact with owners, operators, brokers, buyers and sellers of marine equipment since our founding in 1983.

When utilizing value by income approach, complete historical data related to income flow and all related expenses must be provided to appraiser in addition to capitalization rate criteria required by the client.

III - RESOURCES

In order to maintain continuous knowledge marine market place we regularly utilize our numerous industry wide contacts and continually review the following trade publications and Internet sites regarding marine equipment sales and construction.

General Reference Sources

Brokerage Listings	**Frequency**	**Origin**
Boats & Harbors	Biweekly	Crossville, TN
Latitude 48°	Monthly	Seattle, WA
Industry Periodicals		
Workboat	Monthly	Rockland, ME

Marine Reporter	Monthly	New York, NY
Marine Log	Monthly	New York, NY
Marine News	Tri-weekly	New York, NY
Professional Mariner	8-Issues Yearly	Portland, ME

Internet

Marcon International	Coupville, WA
Ship Ads	Singapore
East Coast marine	Cape Canaveral, FL
Apollo Duck	Santa Monica, CA
Ships For Sale	Larnace, Cyprus
Ocean Marine	Morgan City, LA
Dock Street Brokers	Seattle, WA
GSI Boat Brokers	Seattle, WA
Tassin Marine	New Orleans, LA

DEFINITIONS

Terms: The terms listed here may or may not be used within this report depending upon the requirements of the present assignment.

The definitions are very similar to those provided by the American Society of Appraisers (ASA) through their various appraisal training courses including the Uniform Standards of Appraisal Practice (USPAP).

Replacement Cost: The estimated amount of consideration expressed in terms of money that would be required for construction of a new vessel of similar size and capability in today's market.

Fair Market Value: The estimated amount of consideration expressed in terms of money that may be expected from a property exchange between a willing buyer and seller with equity to both, neither being under any compulsion to buy or sell, both aware of all relevant facts as of a specific date with no time constraint.

Orderly Liquidation Value: The estimated amount of consideration expressed in terms of money that may be expected from a property exchange based upon the assumption that the owner is compelled to sell a certain piece of equipment within a reasonable, but limited, period of time and that a knowledgeable owner would be able to properly advertise subject equipment in order to stimulate reasonable interest that ultimately leads to a sale. This is a gross amount, an "As is where is", and takes into consideration physical location, marketability, physical condition and overall appearance.

Forced Liquidation Value: The estimated amount of consideration expressed in terms of money that may be expected from a property exchange where a certain piece of equipment is advertised and required to be sold at public auction in an "As is where is" condition, as of a specific date.

Salvage Value: The estimated amount of consideration expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for use elsewhere, as of a specific date.

Scrap Value: The estimated amount of consideration expressed in terms of money that may be expected for the whole property if it were sold for its material content, not for a productive use.

PARTICULARS

Registered Owner: Skagit County A Municipal Group

Managing Owners: Skagit County Public Works, 1800 Continental Place, Mt. Vernon WA

Home Port: Falling Waters, WV

Official No.: 601686

Construction: All Welded Steel

Call Sign: WDE7121

Length: LBP-100-ft / LOA-124.0-ft

Breadth: 33.5-ft

Depth: 6.9-ft

Design Draft: 6.5-ft

Gross Tonnage: 91-GRT

Net Tonnage: 91-NRT

Place Built: Somerset, MA

Year Built: 1979

Engine Horsepower: 1,050 @ 1,800-RPM

Type of Fuel: No. 2 Diesel Oil

No. of Engines: Two

Estimated Speed: Approx. 7-knots full

Intended Service: Inshore Passenger Ferry

Passengers: 100

CAPACITIES

Fuel Oil: 6,352 -US gal.

Lube Oil: Pail Storage

Hydraulic Oil: Pail Storage.

Waste Oil: Pail Storage

Potable Water: 275-US Gal

Ballast Capacity: 23,747-US gal.

NAVIGATION LIMITS

Route

Car and passenger ferry between Anacortes and Guemes Island, WA a distance of 0.7-miles in each direction. Not to exceed 1.0-mile from shore when carrying passengers.

DESCRIPTION OF VESSEL

Type

Vessel: A typical, steel hull, open car deck with passenger cabin, crew day room and raised pilothouse to Starboard of No. 1 end, diesel powered with dual azimuthing outdrive propellers mounted through deck apron, passenger ferry vessel.

Operational Criteria

Endurance: Vessel's fuel capacity of 6,352-US Gal will allow vessel to operate for approximately 110-hours at full throttle; however the short route between landings do not allow for full speed cruising with both engines ahead.

Distance: Under ideal conditions, subject vessel could complete approximately 150-round trips with full fuel tanks.

Manning

USCG Licensed Master: One **USCG Licensed Mates:** None

Deckhands: Two required when carrying passengers.

Classification

Country: None

Load Line

Country: None

Certification

Country: USA **Agency:** US Coast Guard

Service: Passenger **Route Restrictions:** < 1-Mile from land

No. Persons: Total 103 **Expiration Date:** November 10, 2015

Regulation

Country/Agency: United States of America, US Coast Guard.

Criteria: 33 CFR 26, 81, 130, 155, 156 & 173; 46 CFR 25, 26, 28 & 105; 47 CFR 80; 46 USC 4505, 8103, 11101, 10601 & 10602.

Stability Criteria

Authority: US Coast Guard **Criteria:** Subchapter "T – L"

Location: Seattle, WA **Date Of Issue:** 1-05-2007

Design Characteristics

Watertight Hull Compartmentation: Subject vessel is bisected by seven transverse bulkheads located at frames forward and aft No's 7, 14 and twenty forward and aft as well as at frame "0" amidships along with other longitudinal part length bulkheads forming ten major watertight compartments and/or integral tanks consisting of: Two Forepeaks, Two Pump Tank compartments; Two voids; Two ballast tank voids; Two Ballast Tank compartments.

Hull Form: Hull is a typical double ended displacement ferry type with deck apron extensions along sides, thrusters located on Port side of each end and rudders at each end.

Superstructure Form: When looking toward No, 1 end the two level deck house with all around vision pilothouse having counter inclined windows and machinery enclosures starboard side at amidships continuing aft and port side forward.

Hull Protection: Formed steel hull guard on sides of vessel.

Layout, Top to Bottom, Forward to Aft:
Cabin Top: Generally contains communication and navigation antennae, light mast and running lights.

Upper Deck: Generally contains: Pilothouse with state-of-the-art communications and navigation equipment, along with engines and steering controls, monitoring gauges and alarms, counter tilt windows with sun shades four of which are sliding types; One 18-in hatch to cabin top; Stairwell to main deck.

01 Deck: Generally contains: Light masts; Life Jacket storage; Access to battery room, forward and aft life preserver storage.

Main Deck, Generally contains open deck on both ends with auto and walk on passenger embarkation gates forward and aft; Parking for 20 standard sized vehicles; Inside approximate 28 walk on passenger area seating area Passenger cabin has doors on deck side and No. 1 end

Accommodations: Electric heated walk on passenger seating inside lower level of deck house.

Mooring Fittings: Eight, 29-in cast steel cleats, ranging four on each side.

Watertight Integrity: Hatches, doors, scuttles and windows opening to all weather decks and/or weather deck bulkheads are metal weather tight types.

Minimum Freeboard to Weather Deck: Estimated 2 ft. 6 in. amidships.

Construction

Builder: Gladding Hearn Shipyard at Somerset, MA in 1979.

Method/Material: All welded steel hull; All welded steel deck house; Sheet metal, wood, plywood and pressed wood ceiling in deckhouse with painted decks and steel cabinetry.

Major Scantlings: Vessel framed on 4-ft centers with 3/8-in steel web frames; Framed on alternating 4-ft centers with truss frames with 35-in X 4-in X 3/8-in flanged plate bottom and side chords, 6-in X 3-1/2-in X 3/8 deck beams; Longitudinal deck stiffeners, 14-in X 4-in X 3/8-in flanged plate at 6-ft centers; Centerline longitudinal and bottom are 20-in X 4-in X 3/8-in flanged plates on 6-ft centers; Bulkhead stiffeners are 3-in X 2.5-in X 3/8-in; Hull plate is 3/8-in mild steel save one plate that was inadvertently installed at time of construction that is 5/16-in.

Hull scantlings are considered normal for vessel's intended service.

DOCUMENTS AND PUBLICATIONS ON BOARD

Vessel's Registration	2-28-2013	Yes	FCC License	12-31-2018	Yes
Stability Book/Letter	1-5-2007	Yes	FCC Regulations		Yes
Certificate Of Inspection	11-10-2015	Yes	ITC Tonnage Certificate		Yes
Current Notice to Mariners		Yes	Charts For Area Of Operation		Yes
Coast Pilot		Yes	USCG Light List		Yes
Tide Tables		Yes	Current Tables		Yes
USCG Rules Of Navigation		Yes	Compass Deviation Card	10-18-2010	Yes

NAVIGATION EQUIPMENT

Required Lights

Running Lights: Two sets of red and green 112.5º side lights; two white 225º masthead lights; to white 135º stern light; two all round white 360º lights displayed depending upon direction of travel.

Day Shapes

Vessel Status Shapes: Three black balls, any number of which can be suspended from rigging.

Signaling Equipment

Horn: Two single trumpet pneumatic horn.

Bell: One 12-in-dia. Brass fog signal bell.

Flares: Properly dated, USCG approved, distress flares conforming to 46 CFR 28.145.

Navigation Aids

Global Positioning System: Integral to AIS.

Radar: Two Simrad, model RA-40C.

Depth Indicator: One Furuno, model FCV-620.

Latitude & Longitude Repeater: Integral to AIS.

Magnetic Compass: Off vessel for servicing. .

Automatic Identification System: One Matrix, model GX-2100.

Searchlight: Two Carlisle Finch, 12-in diameter incandescent bulb type.

Binoculars: One pair of Alpen.

Illumination: Red and white dual illumination for bridge and stairwell**;** Three high pressure sodium floodlights from mast one each facing ends and car deck; Three Quartz floodlights directed at either end and car deck from mounts under pilothouse awning; Five vapor proof globe covered lights strategically spaced on deckhouse at car deck level.

Rudder Angle Indicators: Integral to Thruster Controls.

Trim Gauges: Two Lev-o-gauge one Fore to aft 0° to 10°, one side to side 0° to 5.

Side to side Windshield Wipers: Two adjustable speed, one on each end window.

Ships Clock: One Seiko 10-in quartz.

Bridge Computer: One laptop.

Chart Plotting Equipment: Sufficient.

Communication Equipment

VHF Radiotelephone: Two SEA, model 157.

VHF Handheld Radiotelephone: One Motorola, model XPR-6380.

Loud Hailer / Intercom : One Sea model 857.

Squawk Box: One Eletro Voice, model PA-60 with speakers below forward of passenger cabin on No. 1 end and under pilot house awning on No. 2 end.

Weather Monitoring Equipment

Barometer: One Swift, 5 in. diameter, brass cased.

Thermometer/Hygrometer: One Radio Shack

Anemometer: One Sou'wester 0-100-mph.

PROPULSION MACHINERY AND AUXILIARY SYSTEMS

Propulsion Machinery

Machinery: Two Cummins, model KTA19-M2, six cylinder, electric starting, fresh water cooled by channel cooler, 1,500-shaft horsepower @ 1,800-rpm each, diesel engines, driving one ZF, model 550, 0.936:1 ratio hydraulic marine reverse/reduction gear, with drive shaft to Ulstein model DF-370 azimuthing thruster with a reduction ratio of 4.2:1 and a bronze three blade 52-in-dia X 38-in pitch propeller mounted thereon.

Engine Exhaust System

Piping: Dry type steel and flexible steel piping lagged in engine room, muffler located in unit stack.

Fuel System

Tanks: Four freestanding steel cylindrical tanks with vents and remote shut-off valves.
Plumbing: Steel supply and return lines through strainer, water trap, and filters to engine with flex lines, and shut off valves at engines.

Lube Oil System

Tanks: None pail storage only.

Operational Controls

Steering: Ulstein electronic/hydraulic system steering azimuthing thrusters.

Engine: Integral to Ulstein thruster controls.

Electrical System

Power Supply: 110/220 volt AC from service generators with 24 volt DC from storage batteries; shore power by means of heavy duty electric extension cord to permanently-mounted receptacle on vessel's exterior.

Batteries: Two banks of two each, 12-volt marine type 8-D storage batteries in 24-VDC configuration and one each, 12 volt marine Group 27 storage battery in 12-VDC bank connected to plastic covered, multi-strand, copper cables, all located in corrosion proof, covered, well-ventilated boxes in engine compartments with master switches at batteries; One banks of one 12 volt marine type DC220-12 storage battery and one bank of two Lifetime volt marine type Deep Cycle batteries located in boxes in locker under pilothouse.

Battery Maintenance: 24- volt DC from Delco Remy 100-ampere engine mounted alternators; One LaMarche, model E12, 24-VDC at 30-amperes permanently mounted battery charger with charge divider; One LaMarche Constivolt, model A12B, 12 VDC at 20 amperes;

DC to DC Converter: One Astron, model N2412-12, 24-VDC @ 10 amperes to 12VDC @ 12-amperes.

Wiring: Plastic and basket weave armor covered, multi-strand, copper marine type wiring, well secured throughout vessel's interior.

Fixtures: Marine type exterior and interior lighting fixtures, with marine type switches, light sockets and receptacles throughout vessel.

Circuit Protection: Dead front main panels with circuit breakers and/or fuses in all circuits with master switches located in engine compartments and battery room.

Ship Auxiliary Power

AC Service Generator: One Caterpillar, type 2446/1800, model C4-4 DINA 110/208/440 volt, 60Hz, three phase, 45-kW generating units, powered by one Caterpillar, model C4.4, DITA, four cylinder, electric starting fresh water cooled through radiator diesel engine.

Ventilation System

Accommodations: Natural and mechanical type through door and window openings, equipped with heat pump system with necessary air handlers and ducting throughout; There are no toilet facilities.

Machinery Spaces: Natural type through vent openings.

Alarm System

Propulsion Engines: Audible and visual for abnormal oil pressure or temperature.

Bilge: Audible and visual with eight reporting stations.

Fire/Smoke Alarm: Detect-A-Fire sensors in engine compartments.

General Alarm: Not required on this class of vessel.

Potable Water System

Tanks: One galvanized steel tank with vent and shut-off valve at tank.

Plumbing: Aluminum piping with in line strainer and/or filter.

Water Pressure System: One Jabsco ITT, PAR model 36900-1000, 4.2-gpm diaphragm pump in demand system.

Water Heater: None.

Anchoring Gear

Winch: One single gypsy drum hydraulic winch located forward of passenger cabin on foredeck.

Anchor: One Danforth, type 400-lb. anchor with stud link chain leader; balance of ground tackle consisting of 5/8-in-dia X 300-ft IPS wire rope removed during shipyard maintenance period. *

Bilge/Wash-down System

Sea Chests: Two.

Service Pumps: Two Barnes 2-in-dia hydraulic motor driven rotary pumps; Manifold on either end of vessel near engine enclosures.

Sewage System

Heads: Vessel has no such facilities.

SAFETY EQUIPMENT

Emergency Lighting

System: Battery powered wall mounted lanterns.

Life Saving Gear

Personal Floatation Devices: One hundred three (103) adult and eleven (11) child US Coast Guard approved Type I, PFD's each equipped with reflective strip and float light.

Life Raft: None required on this route.

Life Ring Buoys: Three USCG approved ring buoys, One with float light, one with 90 ft. by 3/8 in. retrieving line and vessel's name lettered thereon.

Man Overboard Retrieval: Two rescue lines; One swimmer's suit with harness and tether; One marker buoy located in crew's room.

First Aid Equipment: One reasonably well maintained, industrial first aid kit with first aid book located in crew's room below pilothouse; Eye wash station, two fire blankets in same location.

First Aid – CPR Certification: One crew member holds valid certificate as a function of USCG licensing.

Hand Rails

Weather Decks: All welded steel 40-in height bulwark around deck area with safety chains across care gates; Two course 40-in height welded steel pipe handrails on other decks.

Portable Fire Fighting Apparatus

Portable fire Extinguishers USGC Approved, Hand Held:

Type	Size	Weight	Location	Last Inspection
Halon	2A-40:BC	13-lb	Pilothouse	Dec 2012
Halon	2A-40:BC	13-lb	Space under Pilothouse	Dec 2012
Halon	2A-40:BC	13-lb	Crew's Room	Dec 2012
Dry Chem	60:BC	10-lb	Crew's Room	Dec 2012
Dry Chem	60:BC	10-lb	Crew's Room	Dec 2012
Halon	3A-80:BC	17-lb	Crew's Room	Dec 2012
Halon	3A-80:BC	17-lb	Crew's Room	Dec 2012
Dry Chem	60:BC	10-lb	Passenger Cabin	Dec 2012
Dry Chem	60:BC	10-lb	Passenger Cabin	Dec 2012
Dry Chem	60:BC	10-lb	Passenger Cabin	Dec 2012

Fire Axe: One standard fire axe bulkhead mounted.

Fixed Fire Fighting System

Fire Pump: One Barnes 2-in-dia hydraulic motor powered centrifugal pump piped to two fire stations, each equipped with 50-ft section of 1-1/2-dia. Fire hose, nozzle and spanner.

SPECIFIC CONDITIONS

Circumstances of Survey

Vessel: On dry-dock; Accessible compartments entered; machinery inspected while not operating.

Housekeeping: Good

Protective Coatings: Good

Structural: Good

Machinery: Good

Cordage: Good

Safety Equipment: Good

Vessel Security

Mooring: Vessel normal mooring is at Guemes Island ferry terminal in Anacortes, WA; Mooring is in semi protected waters.

Police/Night Watchman: Mooring area patrolled by local police department.

Fire Protection: Local Fire Department located approximately 1-mile from vessel; reported response time is 5 minutes.

Remarks

Bow, Port Side, Starboard Side, Stern, Bulwarks, Superstructure and Deck: found free of waste areas chafing or rot and contained no noticeable indents or insets.

Bilges and Internal Framing: Visible areas found to be well coated and free of waste, rot and/or oil accumulation.

Engine Room Machinery: Found to be clean and appeared to be subject of an adequate maintenance program. Sufficient oil supply and extra oil and fuel filters on board for expected usage; engines reportedly operate without excessive exhaust smoke or crank case back pressure; exposed moving machinery parts are equipped with safety guards.

Superstructure: All areas newly coated.
Decks: Guard rails and bulwark are up to industry standard and in satisfactory condition; weather deck, engine room and other ladders and/or stair treads are covered with a high traction coating; All coatings are newly applied.

Bottom: Bottom found to generally be without indents and/or set ins or repairs worthy of notation except for one 2-ft X 18-in insert noticed on port side at amidships; Bottom is protected by 16-zinc anodes on each side of bottom and 8-smaller zinc anodes on each azimuthing drive collar; Bottom is coated to 6-ft 6-in draft with antifouling coating.

OPERATIONAL ADVICE

1. All personnel should be made aware of location of fire extinguishers and life saving equipment and its proper usage.
2. All doors and hatches not in use should be kept secured while at sea.
3. All fire extinguishers should be periodically checked by a qualified service person, serviced and tagged as necessary.
4. All bilges to be kept as near dry as possible, clean and free of oil.
5. Engine room should be checked by competent crewmember every hour while operating.
6. Disconnect master switch on electric circuitry excluding properly fused bilge pump while vessel is unattended.

RECOMMENDATIONS

1. Ensure compliance with the USCG "Top 10 Deficiencies" list:
    a. All cables or wires must serve a piece of equipment or system. Remove wires from any equipment or system removed from the vessel.
    b. Perform routine examinations of the hull. Inspect welds for cracks and all coatings.
    c. Test visual and audible bilge high level alarms.
    d. Maintain a portable hand bilge pump, capable of reaching all spaces of the vessel.
    e. Maintain FCC license registration.
    f. Perform routine examinations of Stern, Mast, and Side navigation lights.
    g. Maintain light guards on weather deck, engine space, and generator space fixtures.
    h. Perform routine examinations of First Aid Kit medication for proper expiry date.
    i. Maintain current navigation charts, Coast Pilot, Light List, Tide and Current Tables.
    j. Maintain EPIRB and hydrostatic release (NOT APPLICABLE).
2. Re install anchor prior to departing shipyard.

NOTES

1. Last Dry-docking for bottom maintenance: October 2012.
    a. Bottom coated with PPG Americoat ABC3 Series Antifouling Compound
    b. Superstructure coated with PPG Americoat 229T
    c. Deck coated with PPG Americoat 138G with Americoat 885 anti-slip additive
    d. Tanks coated with Americoat 235
2. Engine service hours Port Main: approximately 6,700-hrs by meter
   Starboard Main: Exchanged at this dry docking period 0-hrs.
   Auxiliary engine hours: 10,667-hrs by meter

3. Major hull repairs: None reported since new.
4. Owners have one spare engine and one spare azimuthing outdrive that is regularly exchanged so that maintenance on all units can be performed. Units can be changed without dry-docking.

HIGHEST AND BEST USE

The highest and best use of subject vessel is as car and foot passenger ferry.

VALUE METHODOLOGY

Methods Considered: We considered the cost, income and market methods. As subject vessel is a public owned vessel and not a for profit operation the income method was excluded. Subject vessel of a class that is rarely traded the market revealed no useful information. All of the ferries that we located were much larger foreign flag or fast passenger only ferries. Therefore we used the cost method of determining value.

Cost: Foss Shipyard at Rainer, Oregon, is currently building a 20-car 99-passenger ferry for the reported amount of $10-million dollars. Public vessels are generally built to last 40 to 50-years. They are generally disposed of before the reach the end of their lives.

All vessels are subject to economic, functional and physical depreciation. These types of depreciation are largely curable with proper maintenance and upgrading, although as a vessel ages the maintenance cost increases to a point where it becomes cost prohibitive and new equipment is considered. When we depreciate the new replacement cost of subject vessel over a 40-year period we come up with a 17.5% remaining life or $2.5-million. However, after inspection of subject vessel, we are of the opinion that it has had superior maintenance and upgrading to the point of having more like 10-years or 25% remaining useful life with a value in the amount of $3,175,000.00.

APPRAISAL

General Condition

Subject vessel is 33-years old; It shows evidence of ongoing good maintenance and is considered to be in good condition.

Valuations

Estimated New Replacement Cost - $10,000,000.00

Estimated Current Fair Market Value - $ 3,175,000.00

CONCLUSION

It is the opinion of the undersigned, as far as could be determined by the foregoing general inspection, without making removals to expose parts normally concealed, or making borings or ultrasonic measurements to ascertain thickness, or opening up machinery to ascertain exact condition, that the vessel described herein, subject to compliance with the foregoing recommendations and limitations, was found to be in satisfactory condition to continue in its intended service.

THIS SURVEY REPORT MADE WITHOUT PREJUDICE TO THE RIGHTS AND/OR INTERESTS OF WHOM IT MAY CONCERN

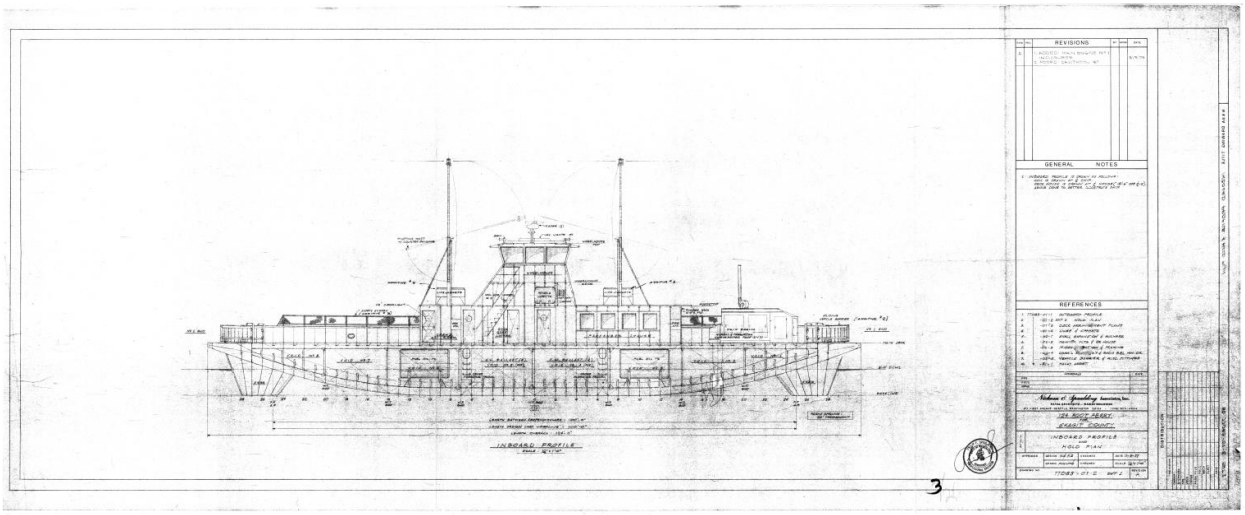
COMMERCIAL MARINE SERVICE

Heather L. Morse, NAMS-Apprentice
Attending Surveyor

Reviewed by:

Thomas D. Laing, Jr. NAMS-CMS, ASA
Principal Marine Surveyor

Attachments:
Inboard Profile
Tank Plan
Summary of Dock Trials
Color Photographs of Vessel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GENERAL NOTES
REFERENCES
INBOARD PROFILE
HOLD PLAN
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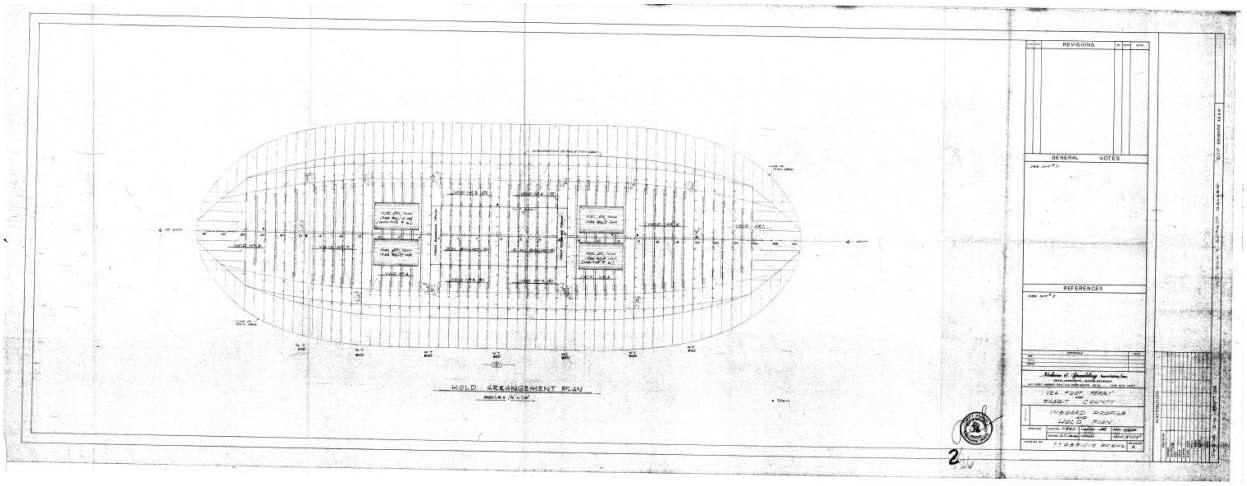
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REFERENCES
HOLD ARRANGEMENT PLAN
INBOARD PROFILE
HOLD PLAN
2

Dock Trials

Following completion of all dockside machinery testing, the main engines and auxiliary machinery will be operated at the dock for a period of two hours to demonstrate readiness for sea. Dock trials will at a minimum include the following:

1. Both local and Pilothouse propulsion controls will be calibrated and tested for correct operation.
2. Main engines and gears will be operated over the entire speed range to check for proper operation and to determine if engine vibration and noise levels are within manufacturer specifications.
3. Operation of reduction gear clutches will be tested. Propulsion thrusters shall be operated up to maximum allowable RPM in both directions of rotation - subject to the limitations of the mooring and dock structure.
4. Machinery alarms will be tested for proper alarm annunciation under alarm conditions. Testing shall be non-destructive in nature. If necessary, alarm set points will be adjusted.
5. Automatic engine shutdowns will be tested for proper operation. Testing will be non-destructive in nature.
6. Primary hydraulic system, which controls thruster azimuthing, will be tested for proper operation over the entire engine speed range. Pump load-sensing and pressure-compensated controls will be tested for correct operation. Pressure settings for pressure compensation control will be adjusted and set. Testing will demonstrate that undue heat accumulation does not occur when the pump is in standby mode.
7. Secondary hydraulic systems at both ends of the boat will be tested over the entire engine speed range for proper operation in both standby and active modes. All system loads will be run at rated conditions. Pump load-sensing and pressure-compensated controls will be tested for correct operation. Pressure settings for pressure compensation control will be adjusted and set. Testing will demonstrate that undue heat accumulation does not occur when the pump is in standby mode.
8. Fuel system will be checked for proper operation over the entire engine load range.
9. Cooling system flow rates will be checked for compliance with manufacturer specified operating conditions. Flow orifice size will be adjusted if necessary.
10. All regulatory required testing not mentioned above.

01 No. 1 Car End

02 No. 2 Car End

03 Car Deck

04 Bottom

05 Bottom

06 Coolers and Typical Thruster

07 Cabin Top

08 Upper Deck

09 Control Console

10 Communications

11 Bilge Alarms

12 Water Tank & Battery Charger

13 AC Switch Gear

14 DC Switch Gear

15 Typical Fire Extinguishers

16 First Aid Kit

17 Typical Engine Fire Sensor

18 Typical Main Engine

19 Typical Hydraulic Pump

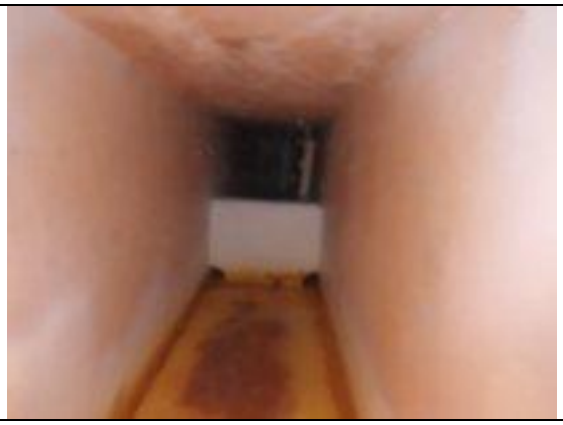
20 Auxiliary Generator

21 Work Shop

22 Passenger Cabin

23 Crew's Room

24 Retrieval Platform

	
25 No. 1 End Rake Compartment	**26 No. 2 Compartment**
	
27 No. 3 Compartment	**28 No. 4 Compartment**
	
29 No. 5 Compartment	**30 No. 6 Compartment**

31 No. 7 Compartment

32 No. 8 Compartment

33 Azimuthing Drive Unit

34 Spare Unit

35 Anchor

36 Anchor Winch